

**REPORT OF THE AUDIT OF THE
LETCHER COUNTY
CLERK**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LETCHER COUNTY CLERK

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Letcher County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$51,653 from the prior year, resulting in excess fees of \$4,803 as of December 31, 2005. Revenues decreased by \$134,920 from the prior year and expenditures decreased by \$83,267.

Report Comment:

- The County Clerk Should Comply With County's Ethics Code
- The County Clerk Should Monitor The Budget And Make Amendments As Necessary

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Ward, Letcher County Judge/Executive
Honorable Winston Meade, Letcher County Clerk
Members of the Letcher County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Letcher County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2007 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jim Ward, Letcher County Judge/Executive
Honorable Winston Meade, Letcher County Clerk
Members of the Letcher County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Comply With County's Ethics Code
- The County Clerk Should Monitor The Budget And Make Amendments As Necessary

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Letcher County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

October 1, 2007

LETCHER COUNTY
WINSTON MEADE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State Grants		\$	4,560
State Fees For Services			15,184
Fiscal Court			25,267
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	849,741	
Usage Tax		1,837,025	
Tangible Personal Property Tax		1,609,046	
Other-			
Fish and Game Licenses		4,542	
Marriage Licenses		8,820	
Filing Fees		1,800	
Veteran Fund		182	
Deed Transfer Tax		20,400	
Delinquent Tax		290,217	4,621,773
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		21,108	
Real Estate Mortgages		17,986	
Chattel Mortgages and Financing Statements		82,950	
Powers of Attorney		1,930	
All Other Recordings		24,919	
Charges for Other Services-			
Copywork		22,646	171,539
Other:			
Overpayments		34,730	
Miscellaneous		3,769	38,499
Interest Earned			3,412
Total Revenues		\$	4,880,234

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY
 WINSTON MEADE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	713,504	
Usage Tax		1,783,810	
Tangible Personal Property Tax		613,291	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		4,289	
Delinquent Tax		34,356	
Legal Process Tax		20,295	\$ 3,169,545

Payments to Fiscal Court:

Tangible Personal Property Tax	160,311	
Delinquent Tax	34,716	
Deed Transfer Tax	18,363	213,390

Payments to Other Districts:

Tangible Personal Property Tax	772,096	
Delinquent Tax	146,997	919,093

Payments to Sheriff 4,153

Payments to County Attorney 43,923

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	246,964
Part-Time Salaries	1,540

Employee Benefits-

Employer's Share Social Security	23,786
Employer's Share Retirement	31,894
Employer's Paid Health Insurance	27,000

Contracted Services-

Libraries and Archives Grant	4,560
Printing and Binding	145

Materials and Supplies-

Office Supplies	19,961
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The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY
 WINSTON MEADE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-			
Utilities	\$	4,481	
Conventions and Travel		1,795	
Dues		600	
Postage		3,494	
Lease Payments		11,394	
Refunds		28,929	
Miscellaneous		1,004	
Capital Outlay-			
Office Equipment		39,125	\$ 446,672
Total Expenditures			\$ 4,796,776
Net Revenues			83,458
Less: Statutory Maximum			71,861
Excess Fees			11,597
Less: Expense Allowance		3,600	
Training Incentive Benefit		3,194	6,794
Excess Fees Due Fiscal Court for 2005*			\$ 4,803

*Note - The County Clerk paid the balance due to the Fiscal Court on November 20, 2006.

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LETCHER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grant

The County Clerk received a local records grant from the Kentucky Department for Libraries and Archives in the amount of \$4,560 during 2004. The grant award was made to purchase roller shelving and a roller desk. During the year ended December 31, 2005, the County Clerk expended all grant funds, leaving a balance of \$0 on December 31, 2005.

LETCHER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 5. Leases

Copier

The County Clerk's office was committed to a lease agreement with Xerox for a copier. The terms of the lease are a monthly payment of \$413 for 60 months ending in June 2008. The County Clerk made payments of \$4,954 during 2005. The balance of the agreement was \$12,796 as of December 31, 2005.

Software

The County Clerk's office was committed to a lease agreement with Software Management, Inc. for use of the CCLIX Software. The terms of the lease are monthly payments of \$475 plus a \$25 annual service fee for 60 months ending on June 14, 2008. The County Clerk's office made payments of \$5,725 during 2005. This lease renews annually.

Postage Meter

The County Clerk's office was committed to a lease agreement with Pitney Bowes for the use of a postage meter. The terms of the lease are monthly payments of \$65 for 48 months ending in July 2006. The County Clerk's office made payments of \$715 during 2005. The balance of the agreement was \$455 as of December 31, 2005.

COMMENTS AND RECOMMENDATIONS

LETCHER COUNTY
WINSTON MEADE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

The County Clerk Should Comply With County's Ethics Code

In 2006 (subsequent to our audit period), the County Clerk hired his son to work in the County Clerk's office and paid him \$345 for the time that he worked in the office. In addition, the County paid him an additional \$50 for moving voting machines for the County Clerk's office. This appears to be in violation of the county's ethics code, which states, "After the effective date of this ordinance no family member of a county officer shall be initially employed or appointed to a position in any county government agency in the same county in which the officer serves, except persons presently employed on the date of this ordinance." The County Clerk subsequently refunded the County Clerk's office and the County out of his personal funds for these payments. We recommend that the County Clerk follow the ethics code and any possible violations should be referred to the County Attorney and the Board of Ethics for their review.

County Clerk's Response: This did not happen in 2005. I do follow the ethics code.

The County Clerk Should Monitor The Budget And Make Amendments As Necessary

The County Clerk did not monitor the budget to ensure that disbursements during the year were within the budget. The County Clerk had overspent the budget by \$423,248. We recommend the County Clerk monitor the budget and make amendments to the budget as necessary to ensure that disbursements are within the budget.

County Clerk's Response: I thought we had got an amendment for the budget. We will monitor in the future.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

The Honorable Jim Ward, Letcher County Judge/Executive
Honorable Winston Meade, Letcher County Clerk
Members of the Letcher County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Letcher County Clerk for the year ended December 31, 2005, and have issued our report thereon dated October 1, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Letcher County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Letcher County Clerk's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Should Comply With County's Ethics Code
- The County Clerk Should Monitor The Budget And Make Amendments As Necessary



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

October 1, 2007

